



AGENDA REPORT

Department: Planning
Prepared by: Martin Reeder, AICP – Asst. Director of Community Development
Meeting Date: Tuesday, June 17, 2025
Approved by: Scott W. Huth, Interim City Manager

SUBJECT:

Staff Report to Consider Potential Municipal Code Language Related to Short-Term Rentals.

RECOMMENDATION:

Direct Staff to Bring Back an Ordinance for Introduction Adding Chapter 6.30 (Short-Term Rentals) to the Municipal Code.

BOARD/COMMISSION/COMMITTEE PRIOR ACTION:

Not Applicable.

EXPLANATION:

Staff gave two staff reports to the City Council in December 2024 and April 2025 to receive input and direction on the creation of a Short-Term Rental (STR) Ordinance. After receiving input, staff returned with an Ordinance for Introduction at the June 3, 2025 City Council public hearing. The Council provided additional language requests and asked staff to organize a public forum to discuss the draft Ordinance, before coming back sometime after the summer recess. It was agreed that the draft Ordinance would return to City Council as a staff report prior to the recess, with the intention of having a solid working draft with which to return for Ordinance Introduction.

Staff has added the additionally requested language, which is attached to this staff report. While public input is always valued in any form, staff respectfully requests that the next step be a newly noticed public hearing in August, which would tend to reach more of the public wishing to provide input than an informal public forum. However, staff is available to hold such a forum over the July recess if necessary. Any input received would be captured in the subsequent staff report, along with any suggested changes from the community.

Of note is the new limit on the maximum number of short-term rentals in the draft Ordinance, which is 125. Based on the City's Transient Occupancy Tax rate of 10%, 125 rentals at an average of \$500 per night (see additional discussion below) would equate to approximately \$6,250 per day, or around \$2.2 million annually. However, based on the suggested language limiting non-hosted short-term rentals to a maximum of 90 days rental per calendar year, the potential TOT revenue would be reduced by up to 75%. While public safety and neighborhood livability are paramount, ensuring that the program pays for itself and for impacts on City resources, it is suggested that one of these limitations be modified to increase revenue potential.

Two other San Diego County cities with STR Ordinances have numerical limits on rental nights per year or maximum number of short-term units. Chula Vista limits the maximum number of

rentals for non-hosted units to 90 days per year. Del Mar has an overall limit of 129 short-term rental permits, or 5% of its housing stock. 5% of National City's housing stock would be 885 units.

Previous Information Presented

There are no current regulations on STRs, which means that they are not technically permitted by our "permissive" Land Use Code. The only rentals regulated in the City are those of 30 days or more. While an exact number is hard to know, there are routinely 100-200 STRs shown in the City as vacation rentals by owner, primarily on the Airbnb or VRBO platforms. Costs to rent are highly variable and range from \$300 to \$900 a night on weekends (April was used as a search parameter). Although ensuring compliance with the Municipal Code with regard to public safety is paramount, another issue is the missed opportunity to collect Transient Occupancy Tax (TOT), which is required for traditional hotel and motel room rentals. Other cities that have STR Ordinances require TOT payment, as well as conformance with other standards as discussed below. National City's TOT is 10% of the room rental rate. If there were 100 units rented out at \$500 a night, the resulting loss in TOT revenue would equate to around \$5,000 a day, depending on seasonality and market demand.

Of the 19 San Diego County jurisdictions (including the County), nine have STR regulations (Carlsbad, Chula Vista, Coronado, Del Mar, Encinitas, Oceanside, San Diego, Solana Beach, and Vista). Another six, while not having any specific STR regulations, allow STRs subject to normal rental property regulations (County, El Cajon, Escondido, Imperial Beach, La Mesa, and San Marcos). Four cities, including National City, do not regulate or permit STR's (the others are Lemon Grove, Poway, and Santee). TOT in the County ranges from 8% to 14%. The average TOT in San Diego County is 10.3%. All but two cities collect TOT on STR's.

Because the majority of cities with STRs are beach cities with different populations, scenarios, and issues compared to National City, staff focused on the cities of Chula Vista and Vista, both of which have STR Ordinances and are similar in location or population. Both cities have basic requirements related to required permits, operating requirements, parking, payment of TOT, and maximum number of guests, as well as minimum stays (2 days) and transfer of licenses.

Chula Vista differs in that they require a STR landlord to maintain a primary residence in the city and limits a permittee to two STR licenses. They also allow events (weddings, parties, fundraisers, etc.) at STRs subject to a special permit. Vista has a more streamlined Ordinance, but allows up to five STRs per permittee and does not allow any events at STRs. Both Ordinances are attached for your reference and discussion. Staff is suggesting a streamlined, yet robust Ordinance that would ideally be a hybrid of the two.

The next steps would generally be to discuss the components of a draft ordinance, introduce and adopt the Ordinance, then implement the Ordinance. If this STR Ordinance is adopted, staff would then need to work with a vendor to implement a licensing and TOT collection program. Three vendors have been identified so far, whose services range anywhere from \$10,000 to \$15,000 annually, depending on services selected.

FINANCIAL STATEMENT:

Adoption of a Short-Term Rental Ordinance will generate Transient Occupancy Tax contributions to the General Fund through application of Short-Term Rental permits. Future license and monitoring costs are intended to be offset by permit fees.

RELATED CITY COUNCIL 2020-2025 STRATEGIC PLAN GOAL:

Balanced Budget and Economic Development

ENVIRONMENTAL REVIEW:

This is not a project under CEQA, and is therefore, not subject to environmental review. CCR15378; PRC 21065.

PUBLIC NOTIFICATION:

The Agenda Report was posted at least 72 hours before the Regular Meeting date and time, and 24 hours before a Special Meeting in accordance with the Ralph M. Brown Act.

ORDINANCE:

Not Applicable

EXHIBIT:

Exhibit A - Draft Chapter 6.30 – Short-Term Rentals